

Raised Bill No. 6527

AN ACT CONCERNING TAX INCREMENTAL FINANCING IN ENTERPRISE CORRIDOR ZONES

Written Testimony provided to the

Commerce Committee

Thursday, March 10, 2011

Good morning Co-Chairs Mr. LeBeau and Mr. Berger and Ladies and Gentlemen of the Committee on Commerce.

I am offering comments on behalf of Bruce Benway, Town Manager of the Town of Killingly. He regrets that he cannot attend today as he has commitments for working on the Town's budget as you have. I am Elsie Bisset, the Economic Development Coordinator and work with Bruce on development projects in Killingly. Killingly is one of the towns along the Interstate 395 corridor in the northeastern part of the State, designated the Eastern Connecticut Enterprise Corridor, along with seven (7) other towns. A recent project in the Town of Killingly successfully used Tax Incremental Financing (TIF) to fund a portion of the environmental remediation of an 85 acre site.

I support the expansion of Tax Incremental Financing as an economic development tool to enhance and spur economic growth in Connecticut as Bill No. 6527 proposes. TIF legislation exists in over 40 states. I suggest that municipalities in Connecticut be enabled to negotiate and provide TIFs directly to manufacturers and distribution facilities to locate or expand in Enterprise Corridor Zones creating jobs and increased tax revenues. The legislation should allow for developers to finance the improvements, commonly referred to as credit enhancement, with the municipality reimbursing the owner of the development some percentage of the property taxes paid on the development.

Bruce completed nine (9) TIF transactions in one small city over 9 years in another state and has often commented on their effectiveness in promoting the expansion of job opportunities and creating an improved economic climate for both state and local taxes. The concept Bruce is familiar with is simple. TIFs may be used by all municipalities. The State establishes upper limits on the amount of property valuation that may be committed to TIF agreements. This limit is usually done on a county basis. Municipalities negotiate with developers regarding their willingness to offer a TIF agreement and if acceptable, the municipality and developer apply for a TIF district. If the valuation is within the limit, the state approves the district. The municipality and developer then negotiate a funding arrangement where some portion of the anticipated increase in property taxes – the tax increment – is returned to the developer/owner for an agreed term to allow the developer to retire the financing used in the development. The State should review these agreements to verify that they constitute arms length transactions. This approach is performance based meaning the developer receives the rebated property taxes only if the work is completed and it saves the municipality the expense of issuing bonds. An alternative would be that the municipality issues bonds to pay for the improvements but timing may prevent a precise match of principal and interest costs and increased property taxes. The TIFs Bruce negotiated involved plant expansions, new plants, infrastructure needs such as a rail spurs, etc.

In your review of this bill, please consider amending Section 1(a) to include a broad range of development projects which are eligible to receive Enterprise Corridor incentives. This method would allow municipalities to use private dollars to effectively enhance revenue generating projects in Connecticut.

Thank you for the opportunity to provide this testimony on Bruces's behalf. Please contact him anytime at 860.779.5335 or by email: bbenway@killinglyct.org